



Dora
Department of Regulatory Agencies

MARKET CONDUCT EXAMINATION REPORT
Dated October 5, 2011

**COVERING THE TIME PERIOD OF JANUARY 1, 2009 THROUGH
DECEMBER 31, 2009**

BALBOA INSURANCE COMPANY

**3349 Michelson Drive, Suite 200
Irvine, California 92612-8893**

**NAIC Company Code 24813
NAIC Group Code 1281**



CONDUCTED BY:

COLORADO DIVISION OF INSURANCE

**BALBOA INSURANCE COMPANY
3349 Michelson Drive, Suite 200
Irvine, California 92612-8893**

**MARKET CONDUCT EXAMINATION REPORT
DATED OCTOBER 5, 2011
COVERING THE TIME PERIOD OF JANUARY 1, 2009 THROUGH DECEMBER 31, 2009**

Examination Performed by:

Division of Insurance Market Conduct Examiner

**Jeffory A. Olson, CIE, MCM, FLMI, AIRC, ALHC
Examiner-in-Charge**

And

Independent Contract Examiners

Lucille E. Whittle, CIE, MCM

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COMPANY PROFILE

The following language is based on information taken directly from written documentation provided by Balboa and has not been independently verified by the Division:

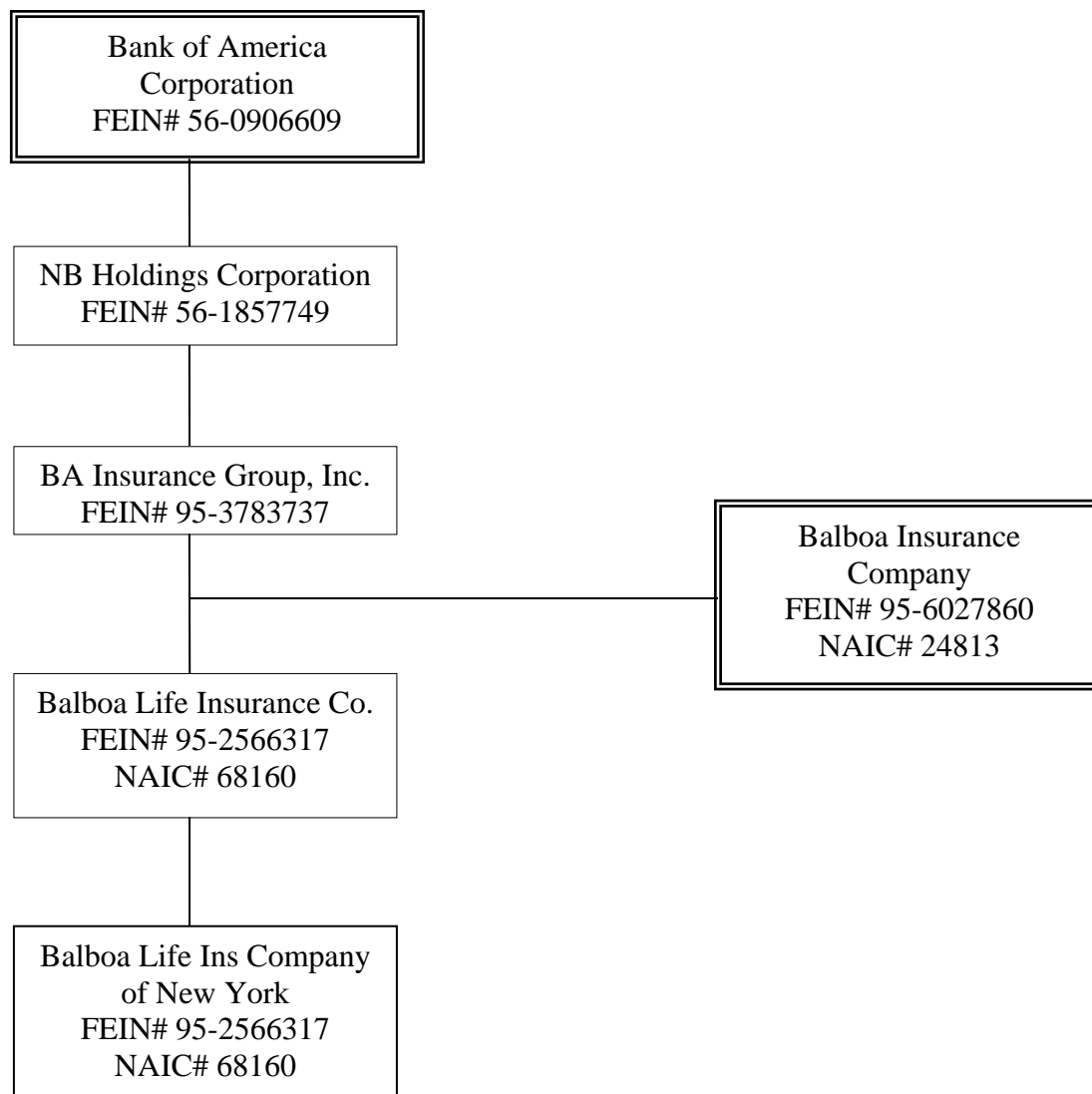
Balboa Insurance Company was organized on February 6, 1948 under the laws of California. Balboa was issued a Certificate of Authority as a multiple line property and casualty domestic insurance underwriting company by the Colorado Division of Insurance on July 8, 1954, and began business shortly thereafter. Balboa acquired Newport Insurance Company, an Arizona domiciled insurer, upon Newport's formation on March 25, 1964.

Ownership of Balboa was held by Balboa Life Insurance Company from 1969 to 1986 when control was passed to Avco Financial Services International, Inc., which in turn was acquired by Textron, Inc. in January 1985. On December 31, 1986, 100% ownership in Atlantic Reinsurance Limited, Bermuda, was contributed to Balboa. One year later, in 1987, complete ownership of Atlantic General Insurance Limited, also of Bermuda, was also contributed to Balboa. In January of 1999, Textron sold the subsidiaries of Avco Financial Services (including Balboa) to Associates First Capital Corporation.

Associates First subsequently sold Balboa, its two property casualty subsidiaries and Balboa Life Insurance Company to Countrywide Insurance Group, Inc. (subsequently renamed Balboa Insurance Group, Inc.), a wholly-owned subsidiary of Countrywide Financial Corporation (formerly known as "Countrywide Credit Industries, Inc.") on November 30, 1999. On July 1, 2008, Bank of America Corporation purchased Countrywide Financial Corporation and thereby acquired control of Balboa Insurance Company.

Balboa is currently licensed in all states (surplus lines underwriter in Louisiana), Guam, United States Virgin Islands and the Northern Mariana Islands (Saipan), as a multi-line underwriter offering a variety of property and casualty products, including homeowners, renters and lender-placed insurance. In 2009, Balboa Insurance Company had a collective total of approximately \$1,054,190,494 in direct premium written under the lines of Fire, Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril, Inland Marine, Earthquake, Group Accident and Health, Other Liability Occurrence, Private Passenger Auto Liability, Auto Physical Damage, Surety, Credit, Credit Involuntary Unemployment, Home Mechanical Breakdown and Home Warranty Insurance throughout all of the United States, the District of Columbia and Guam.

Balboa provided the following abbreviated organizational chart that depicts Balboa's relationship within the parent corporate structure as of December 31, 2009:



Balboa's Premium and Market Share as of December 31, 2009*:

Total Written Premium:	\$11,152,000
Market Share:	0.14%
Home Owners Premium:	\$3,998,000
Market Share:	0.31%

*As shown in the 2009 Edition of the Colorado Insurance Industry Statistical Report

PURPOSE AND SCOPE

A state market conduct examiner with the Division, who was assisted by independent contract examiners, reviewed certain business practices of Balboa. This market conduct examination (MCE) was conducted in accordance with Colorado insurance laws §§ 10-1-201, 10-1-203, 10-1-204, 10-1-205 and 10-4-1106, C.R.S., which empower the Commissioner to examine any entity engaged in the business of insurance in Colorado. All work product developed in producing this report is the sole property of the Division.

The purpose of this examination was to determine Balboa's compliance with Colorado insurance laws related to homeowner lines of business written in Colorado. Examination information contained in this report will serve only this purpose, except as provided by law pursuant to §§ 10-1-204 and 10-1-205, C.R.S. The findings and conclusions, including the Final Agency Order, arising out of this examination shall be a public record.

The examiners conducted the examination in accordance with procedures developed by the Division, which are based on model procedures developed by the National Association of Insurance Commissioners ("NAIC"). The examiners relied primarily on records and materials maintained and/or supplied by Balboa. This market conduct examination covered the period from January 1, 2009 through December 31, 2009.

The examination included a review of the following:

- Company Operations and Management
- Complaints
- Policy Forms
- Rates
- Underwriting-New Business
- Cancellations/Nonrenewals
- Claims Handling

The final examination report is a report written by exception. References to additional practices, procedures, or files that did not contain improprieties were omitted. Based on review of the above areas, the examiners prepared comment forms that were provided to Balboa. The comment forms set forth any concerns and/or discrepancies identified by the examiners during the course of the examination. The comment forms contained a section that permitted Balboa to submit a written response to each of the examiners' comments.

For the period under examination, the examiners included statutory citations and regulatory references related to homeowners insurance laws as they pertained to insurance companies. Examination findings may result in administrative action by the Division. The examiners may not have discovered all unacceptable or non-complying practices of Balboa. Failure to identify specific Balboa practices does not constitute acceptance of such practices. This report should not be construed to either endorse or discredit any insurance company or insurance company product.

METHODOLOGY

The examiner reviewed Balboa’s business practices to determine compliance with Colorado insurance laws as outlined below.

Statute or Regulation	Subject
Section 10-3-1103, C.R.S	Unfair methods of competition and unfair or deceptive acts or practices prohibited.
Section 10-3-1104, C.R.S	Unfair methods of competition and unfair or deceptive acts or practices.
Section 10-4-110.7, C.R.S.	Cancellation or nonrenewal - homeowner’s insurance policies.
Section 10-4-110.8, C.R.S.	Homeowner’s insurance – prohibited practices – definitions.
Section 10-4-111, C.R.S.	Summary disclosure forms required.
Section 10-4-112, C.R.S.	Property damage - time of payment.
Section 10-4-116, C.R.S.	Use of credit information.
Section 10-4-117, C.R.S.	Loss history information report – notice to insured – definition.
Section 10-4-119, C.R.S.	Monthly and electronic payment of premiums.
Section 10-4-401, C.R.S	Purpose – applicability.
Section 10-4-403, C.R.S	Standards for rates – competition – procedure – requirement for independent actuarial opinions regarding 1991 legislation.
Section 10-4-404, C.R.S	Rate administration.
Section 10-4-404.5, C.R.S	Rating plans – property and casualty type II insurers – rules.
Section 10-4-413, C.R.S	Records required to be maintained.
Section 10-4-416, C.R.S	Prohibiting changes in rates or coverages.
Section 10-4-421, C.R.S	Notice of rate increases and decreases.
Colorado Insurance Regulation 1-1-7	MARKET CONDUCT RECORD RETENTION
Colorado Insurance Regulation 1-1-8	Penalties and Timelines Concerning Division Inquiries and Document Requests
Colorado Insurance Regulation 5-1-2	Application and Binder Forms
Colorado Insurance Regulation 5-1-10	RATE AND RULE FILING SUBMISSIONS PROPERTY AND CASUALTY INSURANCE
Colorado Insurance Regulation 5-1-14	Penalties For Failure To Promptly Address Property And Casualty First Party Claims
Insurance Regulation 6-1-1	LIMITING COVERAGE
Insurance Regulation 6-2-1	COMPLAINT RECORD MAINTENANCE

Sampling Methodology

In accordance with the sampling methodology and sample sizes as set forth in the NAIC Market Regulation Handbook (“Handbook”), the examiners reviewed the files that were randomly selected to constitute the sample base from a larger population of files. These random samples consisted of four (4) unique populations consisting of paid claims, denied claims, new business and cancellations/non-renewals. Per statute, the examiners used the most recent version (2009) of the Handbook available at the commencement of the examination.

Where the error rates of the samples indicated it would be appropriate to select an additional sample per the sampling instructions in the Handbook, but the initial results were conclusive, Balboa was afforded the opportunity to agree that the initial sample was appropriate or request that an additional sample be selected. In each case Balboa indicated that the initial sample was appropriate.

When sampling was involved, a minimum error tolerance level of seven percent (7%) for claims, and ten percent (10%) for other samples, was established, per the Handbook, to determine reportable exceptions. However, if an issue appeared to be systemic, or when due to the sampling process it was not feasible to establish an exception percentage, a minimum error tolerance level was not utilized.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero dollar (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero dollar (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from Balboa's established policies, procedures, rules and/or guidelines.

Audit and Examinations

Balboa has not been the subject of an examination by the Division prior to this MCE.

Company Operations and Management

The examiners reviewed Balboa's management and administrative controls, the Certificate of Authority, record retention, underwriting guidelines, and timely cooperation with the examination process.

Complaints

Balboa provided its complaint handling guidelines and/or procedures and a list of the complaints filed with the Colorado Division of Insurance. The Division provided the examiners with a list of complaints received by the Division during the period under examination. The examiners compared Balboa's list to the Division's complaint list to determine that all of the Division's complaints were on Balboa's list.

Contract Forms

Balboa provided specimen copies of forms made available for use with homeowners' policies written in Colorado. The examiners reviewed each of the provided forms as listed below for compliance with Colorado insurance law:

<u>FORM NAME</u>	<u>FORM NUMBER</u>
Accord™ Notice of Information Practices (Privacy)	STK# 00 1574
Accord™ Colorado Application Supplement	STK# 05 1090
Colorado Homeowner's Disclosure	HO21D-E500
Lender's Loss Payable Endorsement	4388FUNS
Declarations (Renters Policy)	H209DKR586
Homeowners Policy	H215J-R1099
Condominium Owners Policy	H251JE1000
Mortgage Payment Protection Endorsement	H254E-R1099
Additional Coverages	H260E-R1099
Homeowners 2000 Policy	H261J-E0502
Additional Residence Premises	H271E-E1199
Course of Construction Endorsement	H272E-E1199
Exclusion for Fungi, Wet or Dry Rot, Viruses, Bacteria, or Pathogenic Organisms	H453E00E0502

Exclusion for Fungi, Wet or Dry Rot, Viruses, Bacteria, or Pathogenic Organisms	H456E00E0502
Amendatory Endorsement	H481E00E1102
Repair Cost Loss Settlement	H495E00E0303
Actual Cash Value	H518E-00E0903
Absolute Pollution and Lean Contamination Exclusions	H547E-00E0204
Exclusion for Fungi, Wet or Dry Rot, Viruses, Bacteria, or Pathogenic Organisms	H559E-00E0304
Homeowners Policy Declarations	H604E-00E1104
Colorado Notice of Conditional Coverage and Legal Underwriting Period	H618N-05E0105
Specified Additional Amount of Insurance for Coverage A – Dwelling	H703E-00E0106
Specified Additional Amount of Insurance for Coverage A – Dwelling	H706E-0CE0106
Plus Package Endorsement	H708E-00E0106
Scheduled Personal Property Endorsement	H735E-02E0306
Homeowners Policy Declarations	H837D-00R0109
Secondary or Seasonal Residence Liability Limitation Endorsement	H838E-00E0907
Additional Residence Premises	H839E-00E0907
Premier Plus Package Endorsement	H840E-00E907
Your Homeowners Policy Quick Reference	H841J-00R0109
Actual Cash Value	H848E-00E1107
Special Personal Property Coverage	H856E-00E0108
Choice Point Consumer Service Center Letter	H866N-00E0408
CLUE Report Letter	H866N-00R0109
Choice Point Consumer Service Center Letter	H867N-00E0408
Choice Point Consumer Service Center Letter	H867N-00R0109
Choice Point Consumer Service Center Notice	H870N-00E0406
Colorado Fraud Warning	H910N-05E0209
Basic Renters Policy	4H213J-R489
Mortgage Payment Protection Endorsement	4H261E-E1000
Plus Package Endorsement	4H461E00-E0602
Homeowners 3 Special Form	HO 00 03 04 91
Homeowners 3 Special Form	HO 00 03 10 00
Homeowners 6 Unit-Owners Form	HO 00 06 04 91
Special Provisions – Colorado	HO 01 05 05 02
Special Provisions – Colorado	HO 01 05 10 94
Windstorm or Hail Percentage Deductible	HO 03 12 10 00
Windstorm or Hail Percentage Deductible	HO 03 12 10 93
Additional Interest	HO 04 10 04 91
Additional Interest	HO 04 10 10 00
Specified Additional Amount of Insurance for Coverage A – Dwelling	HO 04 20 10 00
Loss Assessment Coverage	HO 04 35 04 91
Loss Assessment Coverage	HO 04 35 10 00
Additional Insured	HO 04 41 04 91
Additional Insured	HO 04 41 10 00
Permitted Incidental Occupancies	HO 04 42 04 91
Permitted Incidental Occupancies	HO 04 41 10 00
Other Structures	HO 04 48 04 91
Other Structures on the Residence Premises	HO 04 48 10 00
Scheduled Personal Property Endorsement	HO 04 61 04 91
Scheduled Personal Property Endorsement	HO 04 61 10 00
Coverage C Increased Special Limits of Liability	HO 04 65 04 91

Coverage C Increased Special Limits of Liability	HO 04 65 10 00
Personal Property Replacement Cost	HO 04 90 04 91
Personal Property Replacement Cost Loss Settlement	HO 04 90 10 00
Actual Cash Value Loss Settlement Windstorm or Hail Losses to Roof Surfacing	HO 04 93 05 94
Actual Cash Value Loss Settlement Windstorm or Hail Losses to Roof Surfacing	HO 04 93 10 00
Water Back Up and Sump Discharge or Overflow	HO 04 95 10 00
Water Back Up and Sump Overflow	HO 04 95 11 92
No Section II – Liability Coverages for Home Day Care Business	
Limited Section II – Property Coverages for Home Care Business	HO 04 96 04 91
No Section II – Liability Coverages for Home Day Care Business	
Limited Section II – Property Coverages for Home Care Business	HO 04 96 10 00
Modified Functional Replacement Cost Loss Settlement	HO 05 31 10 00
Additional Residence Rented to Others	HO 24 70 04 91
Additional Residence Rented to Others 1, 2, 3 or 4 Families	HO 24 70 10 00
Business Pursuits	HO 24 71 04 91
Business Pursuits	HO 24 71 10 00
Personal Injury	HO 24 82 04 02
Personal Injury	HO 24 82 04 91
Personal Injury	HO 24 82 10 00
Homeowners 3 – Specialty Form	HO 3S 10 02
Dangerous Animal Liability Limitation	HO DAL 10 02
Lead Poisoning Liability Exclusion	HO LLEX 10 02
Actual Cash Value Loss Settlement Other Than Fire Losses to Roof Surfacing	HO RACV 10 02
Special Limits of Liability Endorsement (Renters Policy)	F405E-E294
Replacement Cost Contents Endorsement (Renters Policy)	F406E-E294

Rates

Balboa provided copies of its rate filings applicable to policies written during the period January 1, 2009 through December 31, 2009. The examiners reviewed these filings to determine compliance with Colorado insurance law.

Underwriting – New Business

The examiners selected a random sample of 113 new business policies from a total population of 1,430 new business policies for compliance with Colorado insurance law.

Claims Handling

The examiners selected a random sample of eighty-three (83) paid claims from a total population of 460 paid claims and seventy-six (76) claims closed without payment/denied from a total population of 172 claims closed without payment/denied. Balboa's claims processing and payment were reviewed for compliance with Colorado insurance laws.

Cancellations/Nonrenewals

The examiners selected a random sample of 79 cancellations/nonrenewals from a total population of 129 cancellations/nonrenewals and reviewed them for compliance with Colorado insurance law.

EXAMINATION REPORT SUMMARY

The examination resulted in a total of three (3) findings in which Balboa was not in compliance with Colorado statutes and regulations. The following is a summary of the examiners' findings.

Company Operations and Management: In the area of Company Operations and Management, no issues are addressed in the report.

Complaints: In the area of Complaints, no issues are addressed in the report.

Policy Forms: In the area of Policy Forms, no issues are addressed in the report.

Rates: In the area of Rates, no issues are addressed in the report.

Underwriting-New Business: In the area of Underwriting-New Business, no issues are addressed in the report.

Cancellations/Non-Renewals: In the area of Cancellations/Non-Renewals, no issues are addressed in the report.

Claims Handling: The examiners identified three (3) areas of concern during the review of Balboa's Claims Handling:

Issue J1: Failure, in some instances, to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed, and/or to promptly provide a reasonable explanation of the basis in the insurance policy for denial of a claim or for the offer of a compromise settlement.

Issue J2: Failure, in some instances, to effectuate fair and equitable settlement of claims in which liability has become reasonably clear.

Issue J3: Failure, in some instances, to pay homeowners claims promptly.

A copy of the Market Conduct Report if adopted pursuant to § 10-1-205(3)(a), C.R.S., and any subsequent response filed by Balboa, if applicable, can be obtained upon request from the Division.

Results of previous market conduct examinations, if any, are available on the Division's website at www.dora.state.co.us/insurance or by contacting the Division.

BALBOA INSURANCE COMPANY

FACTUAL FINDINGS

<p><u>CLAIMS</u></p>

Issue J1: Failure, in some instances, to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed, and/or to promptly provide a reasonable explanation of the basis in the insurance policy for denial of a claim or for the offer of a compromise settlement.

Section 10-3-1104, C.R.S., Unfair methods of competition – unfair or deceptive acts or practices, states in part:

- (1) The following are defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

...

- (h) Unfair claim settlement practices: Committing or performing, either in willful violation of this part 11 or with such frequency as to indicate a tendency to engage in a general business practice, any of the following:

...

- (V) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed; or

...

- (XIV) Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement; or

Colorado Insurance Regulation 5-1-14, Penalties For Failure To Promptly Address Property And Casualty First Party Claims, promulgated under the authority of §§ 10-1-109(1) and 11-3-1110(2), C.R.S., states in part:

...

Section 4. Rules

A. Timely Decisions and Payment of Benefits Pursuant to § 10-3-1110(2), C.R.S.

1. Penalties

All insurers authorized to write property and casualty insurance policies in Colorado, shall make a decision on claims and/or pay benefits due under the policy within sixty (60) days after receipt of a valid and complete claim unless there is a reasonable dispute between the parties concerning such claim, and provided the insured has complied with the terms and conditions of the policy of insurance. [Emphasis added.]

The examiners reviewed a total of seventy-six (76) denied claims from a total population of 172 claims denied by Balboa during the examination period. Based on the notes and documents reviewed on Balboa's claims system, eight (8) claims were not denied within a reasonable time and/or the insureds were not provided with a prompt explanation of the basis for the denial or the offer of a compromise

settlement in violation of Colorado insurance law.

The following chart illustrates the significance of errors versus the population and sample examined:

Denied Claims

Population	Sample Size	Number of Exceptions	Total Error Rate
172*	76	8	11%

*27% of all claims

Recommendation No 1:

Balboa shall be afforded a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered in violation of § 10-3-1104, C.R.S., and Colorado Insurance Regulation 5-1-14. In the event Balboa is unable to show such documentation, it shall be required, within sixty (60) days from the date this report is adopted to provide written evidence to the Division that it has revised its procedures to ensure that all denied claims are denied within a reasonable time and/or the insureds are provided with a prompt explanation of the basis for the denial or the offer of a compromise settlement pursuant to Colorado insurance law.

Issue J2: Failure, in some instances, to effectuate fair and equitable settlement of claims in which liability has become reasonably clear.

Section 10-3-1104, C.R.S., Unfair methods of competition – unfair or deceptive acts or practices, states in part:

- (1) The following are defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

...

- (f)(II) Making or permitting any unfair discrimination between individuals of the same class or between neighborhoods within a municipality and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of insurance, *or in the benefits payable thereunder*, or in any of the terms or conditions of such contract, *or in any other manner whatever*; [Emphasis added.]

...

- (h) Unfair claim settlement practices: Committing or performing, either in willful violation of this part 11 or with such frequency as to indicate a tendency to engage in a general business practice, any of the following:

...

- (VI) Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear; or

The examiners reviewed a random sample of eighty-three (83) claims from a total population of 460 homeowner claims paid by Balboa during the examination period. Balboa was not in compliance with Colorado insurance law in that, based on the notes and documents reviewed on Balboa's claims system, eight (8) claims were either improperly paid or were not paid equitably when liability had become reasonably clear in violation of Colorado insurance law.

The following chart illustrates the significance of errors versus the population and sample examined:

Paid Claims

Population	Sample Size	Number of Exceptions	Total Error Rate
460*	83	8	10%

*72% of all claims

Recommendation No. 2:

Balboa shall be afforded a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered in violation of § 10-3-1104, C.R.S. In the event Balboa is unable to show such documentation, it shall be required, within sixty (60) days from the date this report is adopted, to provide written evidence to the Division that it has revised its procedures to ensure that all claims are settled in a fair and equitable manner when liability has become reasonably clear as required by Colorado insurance law.

Issue J3: Failure, in some instances, to pay homeowners claims promptly.

Section 10-3-1104, C.R.S., Unfair methods of competition – unfair or deceptive acts or practices, states in part:

- (1) The following are defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

...

- (h) Unfair claim settlement practices: Committing or performing, either in willful violation of this part 11 or with such frequency as to indicate a tendency to engage in a general business practice, any of the following:

...

- (VI) Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear; or

Colorado Insurance Regulation 5-1-14, Penalties For Failure To Promptly Address Property And Casualty First Party Claims, promulgated under the authority of §§ 10-1-109(1) and 11-3-1110(2), C.R.S., states in part:

...

Section 4. Rules

A. Timely Decisions and Payment of Benefits Pursuant to § 10-3-1110(2), C.R.S.

1. Penalties

All insurers authorized to write property and casualty insurance policies in Colorado, shall make a decision on claims and/or pay benefits due under the policy within sixty (60) days after receipt of a valid and complete claim unless there is a reasonable dispute between the parties concerning such claim, and provided the insured has complied with the terms and conditions of the policy of insurance. [Emphasis added.]

The examiners reviewed a total of eighty-three (83) claims randomly selected from a total population of 460 claims paid by Balboa during the examination period. Balboa was not in compliance with Colorado insurance law in that, based on the notes and documents reviewed on Balboa's claims system, ten (10) claims were not paid promptly when liability had become reasonably clear.

The following chart illustrates the significance of errors versus the population and sample examined:

Paid Claims

Population	Sample Size	Number of Exceptions	Total Error Rate
460*	83	10	12%

*72% of all claims

Recommendation No. 3:

Balboa shall be afforded a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered in violation of §10-3-1104, C.R.S., and Colorado Insurance Regulation 5-1-14. In the event Balboa is unable to show such documentation, it shall be required, within sixty (60) days from the date this report is adopted, to provide written evidence to the Division that it has revised its procedures to ensure that all claims payments will be paid promptly when liability has become reasonably clear as required by Colorado insurance law.

SUMMARY OF ISSUES AND RECOMMENDATIONS		Rec. No.	Page No.
CLAIMS			
Issue J1: Failure, in some instances, to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed, and/or to promptly provide a reasonable explanation of the basis in the insurance policy for denial of a claim or for the offer of a compromise settlement.		1	15
Issue J2: Failure, in some instances, to effectuate fair and equitable settlement of claims in which liability has become reasonably clear.		2	16
Issue J3: Failure, in some instances, to pay homeowners claims promptly.		3	18

Examination Report Submission

Division Market Conduct Examiner

Jeffory A. Olson, CIE, FLMI, AIRC, ALHC

Independent Contract Market Conduct Examiners

Lucille E. Whittle, CIE, MCM

Douglas C. Froehlich, CIE

Submit this Verified Report on this 5th day of October for:

**The Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado 80202**